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Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

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FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC 7107
INFO AMEMBASSY GUATEMALA

UNCLAS SAN SALVADOR 5074

E.O. 11652 - N/A
TAGS: EFIN, EAID, ES
SUBJ: CENTRAL GOVERNMENT BUDGET FOR 1975

GUATEMALA FOR ROCAP

1. CALENDAR YEAR 1975 BUDGETS FOR THE CENTRAL GOVERNMENT AND 49 AUTONOMOUS INSTITUTIONS ALONG WITH THE 1975 SALARY LAW WERE PASSED BY THE LEGISLATIVE ASSEMBLY DEC 17 AFTER LITTLE DISCUSSION AND A LAPSE OF ONLY TWO WEEKS SINCE PRESENTED BY THE EXECUTIVE. BY CONSENSUS AN AUSTERE BUDGET, THE 678,731,170 COLONES ($271.5 MILLION) IS 21.7 PERCENT HIGHER THAN THE INITIAL BUDGET OF 1974, UP 120.9 MILLION COLONES ABSOLUTELY. UCRRENT EXPENDITURES, AT 492.2 MILLION COLONES, ARE UP 16.9 PERCENT. THE CAPITAL BUDGET RELATIVELY ACCOUNTS FOR MORE GROWTH; IT INCREASES 36 PERCENT OVER 1974, REACHING 186.6 MILLION COLONES ($75 MILLION). THE 412.4 MILLION COLONES FOR THE OPERATIONAL BUDGET IS UP 18.3 034:3,5, AN INCREASE EXPLAINED BY 18.7 MI LION FOR A 25 COLONES PER MONTH SALARY INCREASE TO THOSE EARNING UP TO 499 COLONES A MONTH ($200), 28 MILLUON FOR ADDED COSTS OF GOVERMENT PURCHASES AND THE BALANCE FOR NEW PLANT, OVERTIME, NEW SERVICES AND SUBSIDIES. OF THE CURRENT BUDGET, 71 PERCENT IS ACCOUNTED FOR BY SEVEN MINISTRIES/OFFICES DE-
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VOTED TO SOCIO-ECONOMIC SERVICES AND DEVELOPMENT. THE MINISTRIES

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OF EDUCATION, HEALTH AND SOCIAL SERVICES, AGRICULTURE AND
PUBLIC WORKS EACH REGISTER DOUBLE DIGIT SHARES OF THE OPERA-
TIONA BUDGET. GENERAL OBLIGATIONS, AT 79.8 MILLION, INCREASE
BY ONLY 10 PERCENT AND WITHIN THESE, DEBT SERVICE AT 41.4
MILLION IS UP 19 PERCENT.

2. ON THE INCOME SIDE, THE BUDGET IS MET BY GQISKO MILLION
CARRIN "SURPLUS" FROM THE 74 CURRENT BUDGET, 477.5 MILLION
CURRENT INCOME, AND 176.8 MILLION CAPITAL INCOME 75.3M
EXTERNAL AND 100M DOMESTIC BONDS). FINANCE MINISTER MARTINEZ
TOLD EMBOFF THAT FOR THE FIRST TIME IN YEARS THE 75 CURRENT
ACCOUNT WILL BE IN DEFICIT, HAVING PREVIOUSLY GENERATED A
SURPLUS FOR CAPITAL EXPENDITURES (THE 24.5M FOR 75 COMPARES
WITH 37.5M IN 74). HE SAID NO NEW SIGNIFICANT TAXES ARE
CONTEMPLATED PART FROM THE RECENTLY IMPOSED SUGAR EXPORT TAX.
PRESS REPORTS INDICATE THAT THE 75 INCOME BUDGET ANTICIPATES
79 MILLION FROM INCOME TAXES. THIS WOULD COMPARE WITH 65.7
MILLION FOR 74 BUDGET AND ACTUAL RECEIPTS THROUGH OCT 31
OF 73 MILLION; THE TAX SCALE IS ONLY MODERATELY PROGRESSIVE.
THE MINISTRY BELIEVES IT HAS ACHIEVED THE "EASIEST" GAINS FROM
IMPROVED PERSONAL TAX ADMINISTRATION AND WILL CONTINUE EFFORTS
TO IMPROVE CORPORATE TAX COLLECTIONS. ALTHOUGH THE CAPITAL
BUDGET INCLUEES INCOME FROM THE RECENTLY AUTHORIZED 100 MILLION
COLONES BOND ISSUANCE, THERE EXISTS NO PLAN FOR BOND SALES, NOR
HAS THE GOVERNMENT UTILIZED THE AUTHORITY FOR 22 MILLION IN
BONDS OBTAINED IN 1972 NOR THE 54 MILLION OBTAINED IN 73. THE
RECENTLY ACHIEVED AGREEMENT FOR CREATION OF THE LOCAL VENFUN SHOULD
RELIEVE SOMEWHAT THE NEED FOR DOMESTIC DEBT FINANCING FOR THE
CAPITAL BUDGET. THE ANTICIPATED EXTERNAL INCOME IS SCHEDULED IFI
LENDING. BY LAW THE FLOATING DEBT IS LIMITED TO 15 PERCENT OF
THE AVERAGE OF CURRENT INCOME FOR THE PREVIOUS FIVE FISCAL YEARS.
EXTERNAL PUBLIC DEBT WILL HAVE INCREASED BY $150 MILLION TO $280
MILLION THIS YEAR. WE DOUBT DOMESTIC DEBT HAS INCREASED MUCH.

3. THE ORGANIZATION AL BUDGET'S (CURRENT AND
CAPITAL) PRINCIPAL ALLOCATIONS, CHANGE FROM 73, AND PERCENT
OF TOTAL ARE GIVEN (MILLIONS OF COLONES):
MINISTRY; ALLOCATION; PERCENT INCREASE; PERCENT OF TOTAL;
A. EDUCATION; 159.7; 14.2; 23.5;
B. PUBLIC HLTH&SOCIAL SERVICES; 82.2; 40.0; 12.1;
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C. PUBLIC WORKS; 80.6; 2.4; 11.9;
D. AGRIC&LIVESTOCK; 77.7; 84.1; 11.5;
E. ECONOMY; 54.8; 44.6; 8.1;
F. DEFENSE&PUBLIC SECURITY; 47.5; 6.5; 7.0;
COMMENT: A) A) EDUCATION HAS FALLEN RELATIVELY FROM ITS "30 PERCENT
OF TOTAL" POJITION OF 72, BUT BY GROWTH CONTINUES TO REFLECT
GOES COMMITMENT TO THIS FACTOR; B) THE LARGE INCREASE IN HEALTH
REFLECTS INTER ALIA THE BEGINNINGS OF THE $15 MILLION IDB HEALTH

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PROGRAM; C) PUBLIC WORKS INCREASED 37PERCENT IN 74 AND MAINTAINS
A STRONG ROAD CONSTRUCTION PROGRAM; D) AGRICULTURE IS CONTINUING
ITS BUILDUP AND THERE IS TALK OF SLICING OFF SOME OF THE LARGER
PROGRAMS INTO AUTONOMOUS FUNCTIONS. ITS BUDGET GREW BY 55 PER-
CENT IN 74, LEAPING 84 PERCENT FOR 75. THE CENTA, IRCA AND
IRRIGATION PROJECTS EXPLAIN MOST OF THE INCREASES; E) AS IN
74, OVER HALF OF THIS BUDGET (34.6M) IS A TRANSFER TO SUBORDIN-
ATE AUTONOMOUS AGENCIES, IN THIS CASE CEL FOR ENERGY INVESTMENT;
F) DEFENSE AND PUBLIC SECURITY (TWO INSTITUTIONS MERGED FOR OUR
PURPOSES), AT 7 PERCENT OF THE TOTAL CENTRAL GOVERNMENT BUDGET,
HAS DROPPED RELATIVELY FROM ITS 8 PERCENT SHARE IN 74. BUT
THESE FIGURES, INCREASING ONLY 6.5 PERCENT OVER 74, DO NOT
NECESSARILY PORTRAY THE ENTIRE PICTURE.

4. THE CAPITAL BUDGET IS BROKEN DOWN IN THE FINUNCE MINISTRY'S
PRESENTATION BY PERCENT BY FUNCTION, AS FOLLOWS: DEVELOPMENT
OF NATURAL RESOURCES -4.0, SOCIAL DEVELOPMENT -18.1, INFRA-
STRUCTORE DEVELOPMENT - 46.8, DEVELOPMENT OF PRODUCTIVE CAPA-
CITY -23.9, ECONOMIC AND FINANCIAL SERVICES -3.2, AND ADMIN-
ISTRATIVE AND GENERAL SERVIC
DL-4 (ADD TO 100 PERCENT).

5. WE HAVE NO INFORMATION CONCERNING THE AUTONOMOUS INSTITUTIONS,
EXCEPT A GOVERNMENT STATEMENT THAT THE CONSOLIDATED PUBLIC
BUDGET WILL EXCEED ONE BILLION COLONES (EQUAL TO
OVER 25 PERCENT OF GDP) SINCE EXCLUDING SUCH LARGE
AUTONOMOUS INSTITUTIONS AS SOCIAL SECURITY, CEL, THE NATIONAL
UNIVERSITY AND PUBLIC FINANCIAL INSTITUTIONS SUCH AS FIGAPE,
AGRICULTURAL DEVELOPMENT BANK, INSAFI, ETC., IT REACHES
946.4 MILLION COLONES. AFTER THESE DETAILS ARE KNOWN, THROUGH
THE PUBLICATION OF THE BUDGET IN JANUARY, EMBASSY WILL SUBMIT
ADDITIONAL DETAILS AND ANALYSIS BY AIRGRAM.
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